ALCOVE ADDICTION RECOVERY FOR WOMEN SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2024

ALCOVE ADDICTION RECOVERY FOR WOMEN SOCIETY
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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Alcove Addiction Recovery for Women Society

Opinion
We have audited the financial statements of Alcove Addiction Recovery for Women Society (the "Society"), which comprise the statement of financial position as at December 31, 2024, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
We draw attention to Note 11 to the financial statements, which explains that certain comparative information presented for December 31, 2023 has been restated. Our opinion is not modified in respect of this matter

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Catalyst LLP

CALGARY, ALBERTA
JUNE 27, 2025

CHARTERED PROFESSIONAL ACCOUNTANTS

ALCOVE ADDICTION RECOVERY FOR WOMEN SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

	2024	2023
Assets		
Current		
Cash	$ 347,994	$ 689,031
Restricted cash (Note 5)	138,829	74,192
Short-term investment (Note 3)	426,945	902,585
Accounts receivable (Note 8)	114,475	29,741
	1,028,243	1,695,549
Capital assets (Note 4)	3,190,059	1,754,425
	$ 4,218,302	$ 3,449,974
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	$ 120,284	$ 60,462
Deferred revenue (Note 5)	138,829	74,192
Loans payable (Note 7)	1,267,320	796,989
	1,526,433	931,643
Deferred capital contribution (Note 6)	50,011	-
	1,576,444	931,643
Net assets		
Unrestricted	769,130	1,060,895
Designated management fund (Note 10)	-	500,000
Invested in capital assets	1,872,728	957,436
	2,641,858	2,518,331
	$ 4,218,302	$ 3,449,974

Contingency (Note 8)

Economic dependence (Note 14)

Approved on behalf of the Board

Brian Beck
_____ Director

_____ Director

ALCOVE ADDICTION RECOVERY FOR WOMEN SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
Revenue		
Grants and subsidies (Notes 9, 11 and 12)	$ 1,135,535	$ 1,217,978
Fundraising (Note 9)	199,105	150,358
Casino (Note 5)	64,908	-
Room and board - client fees	79,485	68,371
Amortization of deferred capital contributions (Note 6)	2,875	-
	1,481,908	1,436,707
Expenditures		
Salaries and related benefits	959,326	874,089
Professional fees	112,187	96,402
Administration	54,077	43,491
Repairs and maintenance	42,639	24,220
Food and household	57,849	54,914
Utilities	48,499	40,824
Interest on long-term debt	77,197	43,542
Amortization	50,803	31,374
Insurance	37,295	18,227
Program activities	25,604	16,376
Telephone	14,908	12,336
Fundraising expense (Note 9)	9,581	4,400
Professional development	7,589	6,278
Scholarship awards	2,000	2,000
Bad debts	1,239	-
	1,500,793	1,268,473
Excess (deficiency) of revenue of expenditures before other revenue	(18,885)	168,234
Other revenue		
Rent income	42,750	-
Interest income	99,662	33,017
	142,412	33,017
Excess of revenue of expenditures	$ 123,527	$ 201,251

The accompanying notes are an integral part of the financial statements

ALCOVE ADDICTION RECOVERY FOR WOMEN SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Unrestricted	Designated management fund	Invested in capital assets	2024	2023
Balance, beginning of year	$ 579,733	$ 500,000	$ 957,436	$ 2,037,169	$ 2,018,303
Prior period adjustment (Note 11)	481,162	-	-	481,162	298,777
Balance, beginning of year	1,060,895	500,000	957,436	2,518,331	2,317,080
Excess (deficiency) of revenue over expenditures	171,455	-	(47,928)	123,527	201,251
Interfund transfers (Note 10)	(463,220)	(500,000)	963,220	-	-
Balance, end of year	$ 769,130	$ -	$ 1,872,728	$ 2,641,858	$ 2,518,331

The accompanying notes are an integral part of the financial statements

ALCOVE ADDICTION RECOVERY FOR WOMEN SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
Cash flows from operating activities		
Excess of revenue of expenditures	$ 123,527	$ 201,251
Adjustments for		
Amortization	50,803	31,374
Amortization of deferred capital contributions	(2,875)	-
	171,455	232,625
Change in non-cash working capital items		
Accounts receivable	(84,734)	(8,724)
Accounts payable and accrued liabilities	59,822	(33,952)
Deferred revenue	64,637	(68,717)
	211,180	121,232
Cash flows from investing activities		
Purchase of capital assets	(1,486,437)	(1,001,848)
Proceeds on short-term investment	902,585	-
Purchase of short-term investment	(426,945)	(870,000)
	(1,010,797)	(1,871,848)
Cash flows from financing activities		
Proceeds from deferred capital contribution	52,886	-
Loan advance	500,000	800,000
Loan repayments	(29,669)	(3,011)
Repayment of Canada Emergency Business Account loan	-	(40,000)
	523,217	756,989
Decrease in cash	(276,400)	(993,627)
Cash, beginning of year	763,223	1,756,850
Cash, end of year	$ 486,823	$ 763,223
Cash consists of:		
Cash	$ 347,994	$ 689,031
Restricted cash (Note 5)	138,829	74,192
	$ 486,823	$ 763,223

The accompanying notes are an integral part of the financial statements

1. Nature of operations

Alcove Addiction Recovery for Women Society (the "Society") is a not-for-profit organization incorporated provincially under the Societies Act of Alberta on June 26, 2001. The Society is a registered charity and is exempt from the payment of income taxes under the Income Tax Act.

The Society provides recovery facilities for women who suffer from addiction, abuse and mental health distress, delivers programs that holistically heal the mind, body, and spirit of each client, and accommodates the dependent children of clients in its facilities and programs. The continuing operations of the Society rely on the ongoing support of its funders.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Cash and restricted cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at year-end. Restricted cash consists of amounts that have external restrictions on spending.

(b) Capital assets

Capital assets are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Buildings	25 years
Vehicles	5 years
Furniture and fixtures	4 years
Building improvements	10 years
Computer equipment	5 years

Capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

2. **Significant accounting policies, continued**

(c) **Financial instruments**

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, restricted cash short-term investment, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and loans payable.

The Society has not designated any financial asset or financial liability to be measured at fair value.

(d) **Financial asset impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

2. **Significant accounting policies, continued**

(e) **Revenue recognition**

Alcove Addiction Recovery for Women Society follows the deferral method of accounting for contributions. Contributions for capital assets are included as deferred capital contributions and are amortized to revenue at the same rate and on the same basis as amortization of the related capital assets.

Restricted contributions for grants and donation are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Subsidy income consists mainly of government funding which is recognized on a monthly basis.

In-kind donations are valued at fair market value at the date of contribution. The Society only recognizes this type of revenue if the fair value can be reasonably estimated, when the in-kind donations are used in the normal course of the Society's operations and would otherwise have been purchased.

Rent, interest and other income is recognized as revenue when earned.

(f) **Contributed services**

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

(g) **Measurement uncertainty**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: useful life of capital assets, deferred revenue and recognition of contingent assets and liabilities. Actual results may differ from management's best estimates as additional information becomes available in the future.

3. Short-term investment

The short-term investment includes a Guaranteed Investment Certificate ("GIC") agreement with CIBC for the amount of $426,945. The GIC bears interest at the prime rate less 2.50%. The GIC matured on February 20, 2025.

Subsequent to year-end, the GIC was reinvested, bearing interest at the prime rate less 2.25% and has a maturity date of February 20, 2026.

4. Capital assets

	Cost	Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
Land	$ 2,115,243	$ -	$ 2,115,243	$ 1,255,113
Buildings	1,267,298	254,625	1,012,673	478,476
Building improvements	48,277	2,414	45,863	-
Vehicles	38,900	27,230	11,670	19,450
Furniture and fixtures	4,609	461	4,148	-
Computer equipment	1,849	1,387	462	1,386
	$ 3,476,176	$ 286,117	$ 3,190,059	$ 1,754,425

5. Deferred income

Deferred revenue represents restricted contributions. The deferred revenue balance for the year is derived as follows:

	Balance, beginning	Contributions	Contributions Utilized	Balance, Ending
Casino	$ 69,676	$ 85,222	$ (64,908)	$ 89,990
Community and Social services grant	-	67,833	(37,000)	30,833
Online program	-	30,000	(13,094)	16,906
Rent deposit	-	1,100	-	1,100
Alberta Health Services	4,516	-	(4,516)	-
	$ 74,192	$ 184,155	$ (119,518)	$ 138,829

6. Deferred capital contributions

	2024
Contributions during the year	$ 52,886
Deferred capital contribution amortization	(2,875)
	$ 50,011

7. Loans payable

	2024	2023
ATB Financial, demand term loan with monthly blended payments totaling $6,476. The loan bears interest at the Bank of Canada prime rate plus 0.36%.	$ 775,671	$ 796,989
ATB Financial, demand term loan with monthly blended payments totaling $4,050. The loan bears interest at the Bank of Canada prime rate plus 0.36%.	491,649	-
	$ 1,267,320	$ 796,989

Estimated principal repayments are as follows:

2025	$ 110,064
2026	110,064
2027	110,064
2028	110,064
2029	110,064
Thereafter	717,000
	$ 1,267,320

Although due on demand, the bank has agreed to monthly blended payments for both loans. The loans are secured by a general security agreement, land mortgages, and assignments of leases and rents registered in Alberta.

The above facilities are due for renewal on July 31, 2025.

8. Contingency

The Society has been named as a defendant in a legal action alleging wrongful dismissal of a former employee. The action seeks $105,816 in damages. Management is unable to determine the Society's potential liability, if any, resulting from this action. Any settlement will be reflected as a charge to the statement of operations in the year incurred. No provision for possible loss has been included in these financial statements.

Related to the foregoing, the Society identified various transactions processed by, or under the direction of, a former employee, including transactions in the form of credit card purchases and payments, and also transactions in the payroll system, by means of which the Society believes itself to have been wrongly deprived of funds. The lawsuit is ongoing; however, management believes the Society will prove at least $400,000 of damages from this claim.

The Board has concluded from its investigations to date that the Society was victimized, over a period of years, by a key former employee's wrongful acts in the form of misappropriation or diversion of funds, theft, and/or fraud. The extent and total amount of funds implicated is currently unknown, as the transactions in question and various associated records were evidently purposefully withheld from the Society or otherwise concealed from the Board's view, such that a precise forensic examination of amounts is challenging. These statements therefore identify amounts already quantified by the Board's investigation, and in some cases estimates have necessarily been used. Additional or other amounts may be determined or confirmed through subsequent work.

In connection to the misappropriation of funds the Society has opened a claim under the currently held insurance policy. The policy includes coverage for comprehensive dishonestly, disappearance and destruction. Subsequent to year-end, $75,000 was received as insurance settlement and has been accrued in these statements.

9. Fundraising revenue and expenses

Pursuant to Section 7(2)(e) of the Charitable Fundraising Regulation (Alta Reg 108/2000): gross fundraising contributions received were $204,295 (2023 - $171,008); and expenses incurred in the year for the purposes of soliciting contributions were $844 (2023 - $4,400).

10. Interfund transfers

A financial contribution of $500,000 was made by the Grey Nuns of Montreal to be used as a Designated management fund (the "Fund"). The capital of the Fund was allowed to be used towards the building purchase in the current year.

Also during the year, $463,220 was transferred from the unrestricted fund to the invested in capital asset fund to fund capital asset purchases.

11. Prior period adjustment

During the year it was determined that a prior year adjustment was required for deferred revenue that should not have been deferred for finding that it was unrestricted. As a result the deferred revenue at December 31, 2023 decreased by $481,346, revenue increased by $182,385 and opening unrestricted surplus increased by $298,777.

	2023 as stated	Adjustment	2023 restated
Deferred revenue	$ 555,354	$ (481,162)	$ 74,192
Revenue	1,254,322	182,385	1,436,707
Opening unrestricted net assets	2,018,304	298,777	2,317,080
Closing unrestricted net assets	2,037,169	481,162	2,518,331

12. Endowment fund

An endowment fund is currently held for the benefit of the Society by the Calgary Foundation under the name "Sister Delia Bourque Endowment Fund of Alcove". The endowment was received in 2009 from a donor to set up a bursary program to fund education for clients. The fund balance is $44,554 (2023 - $43,509). The earnings on the endowment fund will be allocated to provide certain learning programs at the Society and to provide funding assistance to clients pursuing further education. During the year, $2,126 (2023 - $2,094) was contributed and has been included in grants and donations on the statement of operations.

13. Financial instruments

The Society is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Society's exposure to these risks.

(a) Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Society is subject to credit risk related to its accounts receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and loans payable.

13. **Financial instruments, continued**

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed income instruments within the pooled investment account. Fixed-rate financial instruments subject the Society to a fair value risk.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial instruments.

14. **Economic dependence**

The Society derives 65% (2023 - 74%) of its revenues directly from Alberta Health Services. It is the opinion of management that if Alberta Health services were to substantially change its relationship with the Society, the continued operations of the Society would depend upon the Society's ability to secure alternative sources of operating funds.